UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

PAUL DEXTER, individually and on behalf of all others similarly situated,

Plaintiff,

-against-

DEPOSITORY TRUST AND CLEARING CORPORATION, NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC. and CEDE &COMPANY,

Defendants.

CLASS ACTION COMPLAINT

JURY TRIAL DEMANDED

Plaintiff as and for his class action complaint against the defendants alleges as follows upon information and belief based on the investigation of his attorney:

NATURE OF THE ACTION

1. This complaint is filed on behalf of all record holders as of October 31, 2000 of shares of beneficial interest in a Litigation Trust (the "Trust Certificates") created by order of the United States Bankruptcy Court in Delaware in connection with the Plan of Reorganization for United Companies Financial Corporation ("UCFC") who did not receive their distributive share of proceeds from the Litigation Trust (the "Unpaid Beneficiary Class").

2. In June of 2004, the court-appointed Trustee of the Litigation Trust authorized the first distribution payment to the beneficiaries of the Litigation Trust in the amount of $.30149 per common share and $.60298 per preferred share.

3. The total amount of the payment authorized by the Litigation Trustee was forwarded in bulk to the court designated "Distribution Agent" which forwarded the proceeds for shares registered in nominee name Cede & Company ("Cede"), a subsidiary of the defendant

Depository Trust and Clearing Corporation ("DTCC"). Cede was the nominee designated by DTCC for the Trust Certificate holders who were holders of record shares of UCFC as of October 31, 2000. DTCC, through Cede, was required to distribute those proceeds for credit to the accounts of those clients who were the Beneficiaries of the Litigation Trust based on a record date of October 31, 2000 as specified in the "Fourth Amended Plan Of Reorganization" and the "Joint Motion Of Plan Administrator For Reorganized Debtors And Litigation Trustee In Regard To Litigation Trustee's Report And Plan Of Distribution Of Litigation Trust Proceeds."

4. The distribution of the settlement funds to the holders of The Trust Certificates should have been made based on a record date of October 31, 2000 as ordered by the Delaware Bankruptcy Court.

5. DTCC and Cede, however, improperly distributed those proceeds to the record holders of the Company's stock as of June 25, 2004 in violation of orders issued by the United States Bankruptcy Court, District of Delaware.

6. Defendant NASD failed to adequately supervise the distribution of proceeds of the Litigation Trust and improperly allowed shares of cancelled UCFC stock to trade with the expectation that holders of record of UCFC securities after October 31, 2000 would receive a distribution from the Litigation Trust. Defendant NASD also set a record date for determination of the distribution of the settlement proceeds which was different from the record date ordered by the Court and the NASD improperly allowed interests in the Litigation Trust to trade even though assignment or other disposition of the trust interest is prohibited by order of the Bankruptcy Court.

7. Defendants are jointly and severally liable and responsible for the improper distribution of these settlement funds.

8. Plaintiff seeks an award of damages in the amount of the unpaid distributions and declaratory relief adjudicating that it is plaintiff and the members of the class who are the rightful recipients of all distributions of the proceeds of the litigation trust and injunctive relief in the form of an order of this court directing the defendants herein to make all future distributions of litigation trust proceeds in accordance with the Order of the Delaware bankruptcy.

JURISDICTION AND VENUE

9. This Court has subject matter jurisdiction pursuant to 15 U.S.C. § 78aa relating to the violations of Section 6(b) of the Securities Exchange Act of 1934 (15 U.S.C. § 78f(b)) and federal question jurisdiction under 28 U.S.C. 1331 and under the Court's pendant jurisdiction under 28 U.S.C. § 1367(a).

10. Venue is proper in this District pursuant to 28 U.S.C. § 1391.

PARTIES

11. Plaintiff is the holder of trust certificates which he and all other holders of record of the common stock of United Companies Financial Corporation ("UCFC" or the "Company") on October 31, 2000 received pursuant to an order of the Delaware Bankruptcy Court. Plaintiff and others similarly situated were damaged by their failure to receive the distributive share of the Trust Fund. Plaintiff's damages and those of the Class were caused by the wrongful conduct of the defendants as set forth herein.

12. Defendant National Association of Securities Dealers, Inc. ("NASD") is a corporation, self regulatory organization registered pursuant to amendments of the Securities Exchange Act of 1934. NASD is the primary regulatory body for the broker dealer industry. It is the parent company of its wholly owned subsidiary, The NASDAQ Stock Market, Inc. which it regulates.

13. Defendant Depository Trust And Clearing Corporation ("DTCC") is a corporation organized and existing under and by virtue of the laws of the state of New York. DTCC was founded in 1999 when the Depository Trust Company merged with National Securities Clearing Corporation. Its headquarters are located at 55 Water Street, New York, New York. DTCC through its subsidiaries is the world's largest securities depository and a clearinghouse for trading settlement and processes most broker to broker equity corporate and municipal bond trades in the U.S.

14. Defendant Cede is a subsidiary of DTCC and its nominee for the purpose of maintaining record ownership of securities, distributions and dividends for which DTCC is the custodian, including the Trust Certificates at issue in this suit.

CLASS ACTION ALLEGATIONS

15. Plaintiff brings this action as a class action pursuant to Rules 23(a), (b)(2) and (b)(3) of the Federal Rules of Civil Procedure, on behalf of himself and on behalf of all record holders as of October 31, 2000 of shares of beneficial interest in a Litigation Trust (created by order of the United States Bankruptcy Court in Delaware in connection with the Plan of Reorganization for United Companies Financial Corporation) who did not receive their distributive share of proceeds from the Litigation Trust or who may have been back charged.

16. Excluded from the Class are the defendants, each of their subsidiaries and affiliates, entities in which each of the defendants have a controlling interest, and the successors, affiliates or assigns of any of the foregoing excluded persons and entities.

17. The persons in the classes identified above are so numerous that joinder of all members is impracticable.

18. Plaintiff's claims are typical of the claims of other members of the Firm Quote Violation Class, as:

(a) Plaintiff and the members of the Class were shareholders of record of UCFC on October 31, 2000 who did not receive their distributive shares or the Litigation Fund.

(b) Plaintiff's claims are typical of the claims of other members of the Unpaid Beneficiary Class who did not receive their distributive share.

19. Plaintiff is a representative party who will fairly and adequately protect the interests of the other members of the Class and has retained counsel competent and experienced in class action securities litigation. Plaintiff has no interests which are antagonistic to, or in conflict with, the Class he seeks to represent.

20. A class action is superior to other available methods for the fair and efficient adjudication of the claims asserted herein. As the damages suffered by the individual Class members may be relatively small, the expense and burden of individual litigation make it virtually impossible for the Class members individually to redress the wrongs done to them. The likelihood of individual Class members prosecuting separate claims is remote.

21. There are questions of law and fact common to the Unpaid Beneficiary Class which predominate over any questions solely affecting individual members of the class, including:

(a) whether defendants violated an Order of the Bankruptcy Court by failing to distribute proceeds of the Litigation Fund to holders of record of UCFC as of October 31, 2000;

(b) whether defendants' failure to distribute the proceeds of the Litigation Trust to the Unpaid Beneficiary Class makes them liable to plaintiff and the Unpaid Beneficiary Class;

(c) whether NASD violated Section 6(b) of the Exchange Act by failing to ensure compliance with its rules and regulations;

(d) whether a private right of action exists under Section 6(b) of the Exchange Act;

(e) whether defendants participated in and pursued the common course of conduct complained of herein;

(f) whether the NASD has operated in bad faith; and

(g) whether the members of the Class have sustained financial damages compensable by defendants and, if so, what is the proper measure thereof.

22. Plaintiff anticipates no unusual difficulties in the management of this action as a class action.

23. Defendants acted and/or refused to act on grounds generally applicable to the class thereby making appropriate final injunctive relief and correspondingly declaratory relief with respect to the class as a whole.

SUBSTANTIVE ALLEGATIONS

24. The Company was a Louisiana corporation with its principal place of business located in Baton Rouge, Louisiana. The Company filed for bankruptcy in United States Bankruptcy Court in the District of Delaware on March 1, 1999.

25. On October 31, 2000 the Court confirmed the Fourth Amended Plan Of Reorganization for the Company effective November 14, 2000 ("effective date") (the "Plan").

Under the Plan, the Company's assets were liquidated, the Company ceased as a going concern and a Litigation Trust was established by the Court to pursue claims to be filed on behalf of the Beneficiaries of the Litigation Trust. The Court approved $1,750,000 to fund the Litigation Trust. A copy of the Plan is attached as Exhibit III.

26. In November of 2000, the Court approved William G. Hays Jr. as Litigation Trustee and appointed a Litigation Trust Committee consisting of three individuals to represent various constituencies (unsecured debt holders, sub-debt holders and equity holders) of the Company.

27. Pursuant to Section 14.1 of the Plan, all equity interests were extinguished and all common and preferred stock of the Company became null and void on the effective date.

28. Pursuant to Sections 14.3 and 27.8 of the Plan, all common and preferred shareholders of the Company at October 31, 2000 ("record date") received a 30% aggregate interest in the Litigation Trust subject to certain expenses and provisions as contained in the Plan. These shareholders became Beneficiaries of the Litigation Trust.

29. Pursuant to Section 27.15 of the Plan, the Interests in the Litigation Trust were only transferable by descent or liquidation of the trust. Therefore, the Interests in the Litigation Trust cannot be traded and any shares of stock that traded subsequent to the record date traded without the Litigation Trust Interests in accordance with the Plan.

30. In December of 2003, the derivative lawsuit was settled out of court. The terms and condition of the settlement, including the payment amount, were kept confidential despite the fact that United Companies Financial Corporation had been a publicly traded company and their null and void shares continued to trade on the NASDAQ.

31. On June 28, 2004, the first settlement distribution was available for distribution to the beneficiaries of the Litigation Trust. Wells Fargo, the Paying Agent for the distribution to the Beneficiaries of the Litigation Trust informed both DTCC and NASDAQ with respect to distributions to former shareholders that:

(a) The record date for distributions was November 1 2000 (The Delaware Bankruptcy Court subsequently approved the record date to October 31, 2000).

(b) The shares of United Companies Financial Corporation had been cancelled as of November of 2000 when the Plan was confirmed and its effective date occurred.

(c) The Litigation Trust Interests were transferable only by death or operation of law.

The above facts were provided to DTCC and NASDAQ well prior to the distributions.

32. Cede was the registered owner of approximately 81% of the stock at October 31, 2000 per the registry list maintained by Mellon Investor Services who served as the Company's transfer agent. In the ordinary course of providing notice of the plans and any orders of the Delaware Bankruptcy Court, the debtor UCFC would have provided Cede with notice of the fact that proceeds of the Litigation Trust were to be distributed only to the owners of record as of October 31, 2000.

33. The first settlement distribution amounted to $.30149 per common share and $.60298 per preferred share. On the distribution date, Wells Fargo forwarded monies to Cede to be distributed allegedly to their registered brokers on behalf of the clients of the registered brokers who were the beneficiaries of the Litigation Trust at record date of October 31, 2000.

34. On June 25, 2004, the first settlement distribution was scheduled to be made to the Beneficiaries of the Litigation Trust by Wells Fargo.

35. Cede however distributed the $7.9 million to their registered members based on a record date of June 25, 2004 clearly implying that all stock transactions that traded after October 31 2000 through June 25, 2004 traded with the Litigation Trust Interests. This was a violation of the "Fourth Amended Plan of Reorganization" and the "Joint Motion Of Plan Administrator For Reorganized Debtors And Litigation Trustee In Regard To Litigation Trustee's Report And Plan Of Distribution Of Litigation Trust Proceeds" approved by the Court.

36. Therefore, any individual who sold either their common and/or preferred shares registered in the nominee name of Cede after October 31, 2000 did not receive their first distribution of the settlement proceeds from their Litigation Trust Interests nor will they receive any further distribution unless Cede rescinds the improper distribution and abides by the directives approved by the Court.

37. Due to the improper distribution made by Cede, the plaintiff and the Class did not receive their initial distribution nor will they receive any further distributions.

<u>FIRST CAUSE OF ACTION</u>

<u>For Violation Of 6(b) Of The Securities Exchange Act of 1934</u>

38. Plaintiff repeats and realleges each and every allegation contained in all of the foregoing paragraphs as if fully set forth herein.

39. Under federal law, virtually every securities firm doing business with the public is a member of the NASD. The NASD registers member firms, writes rules to govern their behavior, examines them for compliance and disciplines those that fail to comply.

40. When a public company emerges from bankruptcy, it is the normal practice of the NASD to announce almost immediately through NASDAQ (via a Uniformed Practice Advisory) the terms and conditions applying to the "old" equity shares per the approved Plan of

Reorganization. However, in the case of United Companies Financial Corporation, the NASD failed to issue any Uniformed Practice Advisory over the period November of 2000 through June of 2004.

41. NASD alleges that on November 1, 2002 that they announced on their website that any shares that traded after October 31, 2000 included the rights of the Beneficial Interests in the Litigation Trust even though it violated a Court order. It also stated that "due bills should accompany trades after the record date of 10/31/00." (A "due bill" is a printed statement showing the transfer of a security's title or rights, or showing the obligation of a seller to deliver the securities or rights to the purchaser. If a security is purchased prior to the ex-date but delivered after the record date, the security will be delivered with a due-bill attached. The due-bill states that the purchaser is entitled to receive the dividend, rights, or additional shares of stock.) A copy of their alleged announcement is attached as Exhibit II. This announcement was made two years after the Company had been declared defunct by the Bankruptcy Court and is clearly an untimely announcement of record dates in violation of the Securities and Exchange Commission Rule 10b-17. It was also announced 21 months after a substantial derivative lawsuit alleging damages totaling many hundreds of millions of dollars had been filed against the Company's public accountant, Deloitte and Touche. The plaintiff also alleges that this announcement may have only been available to users of a secure or perhaps confidential website because the NASD current public website excludes this announcement but includes all announcements relating to changes in ticker symbols made in 1999 and the distribution amount and dates made in June of 2004. Copies of all announcements reported on the NASD website are attached as Exhibit III.

42. It is also alleged that the NASD issued these instructions in accordance with the Uniformed Practice Code of the National Association of Securities Dealers, rule 11140,

subparagraph (b) (2) after it became known in late 2002 that the Beneficiaries of the Litigation Trust might receive a substantial financial settlement estimated at $100 million or 15% of the alleged damage amount. However, this rule applies to distributions to equity holders only. It clearly does not apply to this distribution because all rights of the equity holders were extinguished on the effective date per section 14.1 of the Plan; and any shares that traded after the record date traded without the Interests of the Litigation Trust per section 27.15 of the Plan.

43. Upon information and belief plaintiff alleges that he was cheated out of approximately $11,000 in June of 2004 due to the improper instructions issued by the NASD to the DTCC; and believes that in the event that there are subsequent distributions, he will also incur significant financial losses.

44. Upon information and belief the NASD improperly authorized this distribution based on the Uniform Practice Code ("UPC") of the National Association of Securities Dealers once the magnitude of the derivative lawsuit became known (November of 2002), two years after the Company had been declared defunct by the Bankruptcy Court. This code governs, among other things, the designation of "ex-dates" for securities. This includes dividends, stock splits, warrants and distributions but clearly does not apply to interests in litigation trusts that have been declared by the Court to be non-transferable except by death or operation of law.

45. Under the UPC rules, there are two different methods used to determine the ex-date of a security, depending on the size of the dividend or distribution. The method that they allegedly applied in the case of this distribution is per rule 11140 subparagraph (2) (b). It applies for dividends and distributions that are 25% or greater of the value of the security. The rule states that the ex-date shall be the first business day following the payable date. Since the

distribution was made on June 25, 2004, the ex-date in this case according to the UPC rule was June 28, 2004 and the record date was June 25, 2004.

46. Section 6(b)(1) and (5) [15 U.S.C. §§ 78f(b)(1) and (5)] provide as follows:

> (b) An exchange shall not be registered as a national securities exchange unless the Commission determines that –
>
> (1) Such exchange is so organized and has the capacity to be able to carry out the purposes of this chapter and to comply, and (subject to any rule or order of the Commission pursuant to section 78q(d) or 78s(g)(2) of this title) to enforce compliance by its members and persons associated with its members, with the provisions of this chapter, the rules and regulations thereunder, and the rules of the exchange.
>
> (5) The rules of the exchange are designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest; and are not designed to permit unfair discrimination between customers, issuers, brokers, or dealers, or to regulate by virtue of any authority conferred by this chapter matters not related to the purposes of this chapter or the administration of the exchange.

47. NASD has known since October 31, 2000 that only shareholders of record of UCFC as of October 31, 2000 would be allowed to receive distributions from the settlement trust. NASD's actions were taken in bad faith to protect the interests of members who profited from trading in cancelled shares of UCFC.

48. NASD's conduct was in bad faith.

SECOND CAUSE OF ACTION
<u>AGAINST DEFENDANTS DTCC AND CEDE FOR CONVERSION</u>

49. Plaintiff repeats and realleges each and every allegation contained in all of the foregoing paragraphs as if fully set forth herein.

50. Defendants DTCC and Cede exercised possession and control over property rightfully belonging to plaintiff and the Class.

51. Defendants DTCC and Cede have refused to relinquish possession and control to plaintiff and the class despite due demand therefore.

52. Defendants DTCC and Cede have thereby converted funds belonging to plaintiff and the class.

53. Plaintiff and the Class have been damaged thereby and demand return of all monies unlawfully converted by defendants.

THIRD CAUSE OF ACTION
FOR NEGLIGENCE AGAINST ALL DEFENDANTS

54. Plaintiff repeats and realleges each and every allegation of the preceding paragraphs as if more fully set forth herein.

55. Defendants owed duties of care of the plaintiff and members of the Unpaid Beneficiary Class by virtue of the relation between plaintiff and the class on the one hand and DTCC and Cede on the other hand and by virtue of the duties voluntarily undertaken to plaintiff and the class by NASD and by virtue of the duties imposed upon NASD by applicable laws and regulations.

56. Defendants breached these duties by carelessly, and without the requisite degree of care and skill of professionals in like position, making and allowing to be made distributions from the Litigation Trust to persons and other entities who were not legally entitled to such distributions.

57. As a result of these breaches plaintiff and the class have been damaged in their property.

58. Defendants suffered monetary damage and loss in the amount of the unpaid distributions.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff respectfully requests that this Court grant the following relief:

A. Certify this case as a class action;

B. Certifying Plaintiff as the Class Representative and his counsel as Class Counsel;

C. Declaring and determining that plaintiff and the Class are the rightful recipients of their pro rata share of distributions from the Litigation Fund;

D. Awarding monetary damages and/or recessionary relief, against all defendants, jointly and severally, in favor of the Plaintiff and other members of the Class for all losses and damages suffered as a result of the acts and transactions complained of herein;

E. Enjoining defendants from distributing to any persons other than plaintiff and the Class any of the distributions from the Litigation Fund.

F. Awarding Plaintiff the costs of this action together with reasonable attorneys' fees, and such other and further relief as this Court deems necessary and proper; and

G. Awarding Plaintiff and other members of the Class such other and further relief as the Court may deem just and proper in light of all the circumstances of this case.

DEMAND FOR TRIAL BY JURY

Pursuant to Rule 38(b) of the Federal Rules of Civil Procedure, Plaintiff demands a trial by jury on all questions of fact raised by the Complaint.

Dated: September 22, 2004

SQUITIERI & FEARON, LLP

By: ______________________

Lee Squitieri (LS-1684)
32 East 57th Street
12th Floor
New York, New York 10022
(212) 421-6492

Counsel for Plaintiff and the Class